

Chapter

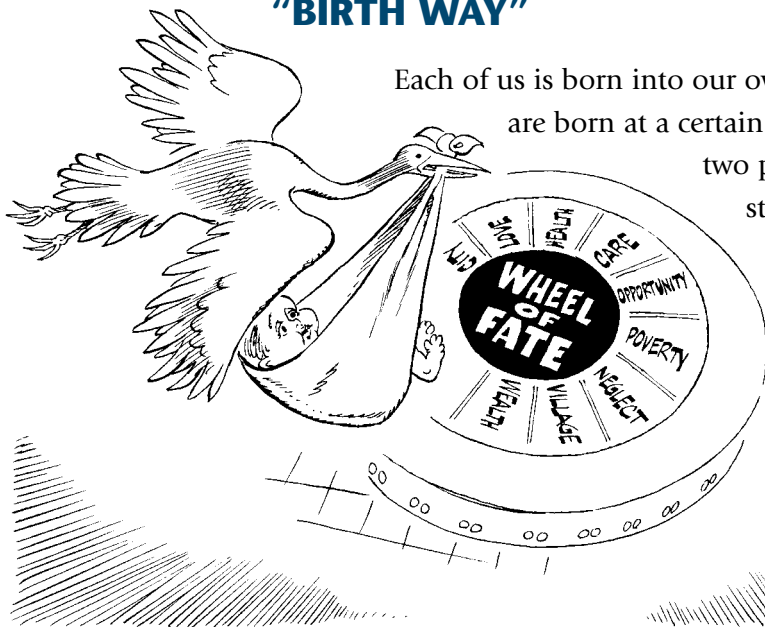
3

Your Goals: Other Things to Consider

In this chapter, we are going to examine some of the other forces and factors that will influence your financial decisions and actions. Specifically, we are going to look at the following factors:

- "Birth Way"
- Life Cycle Stage
- Tastes, Preferences, and Lifestyle
- Economic Conditions
- Social Factors
- Political Factors
- Technological Change
- Language and Communication Skills
- Prejudice

"BIRTH WAY"



Each of us is born into our own individual set of circumstances. We are born at a certain period of time, in a certain location to two particular parents (who may or may not stay together as a family unit), into a certain lifestyle, and so on. We enter into different economic circumstances, into different geographic locations, into different cultures, with differing family conditions and values. You may support the belief that all are created equal, but few will claim we are all born into circumstances of



Your “Birth Way”

When you entered this world on the “highway” to life, you may believe you started with certain advantages or disadvantages. Identify both the advantages and disadvantages you feel you started with.

equal opportunity. The way in which we start life can vary greatly, and many aspects of our lives are influenced by the social, geographic, and economic circumstances into which each of us is born. That is a reality that we all have to face in terms of our personal financial affairs.

LIFE CYCLE STAGE

If you are in your teens or early twenties, your day-to-day thoughts are probably focused more on things such as personal relationships, sporting events, education, jobs, concerts, and travel. You have to consider possible career paths, educational options, work experience, setting up a first “home,” and deciding who, if anyone, might be that particular person with whom to share a life. Over time, though, and at different stages of life, our priorities and concerns will vary. Different things are more important at different times. The priorities, concerns, and goals of someone who is 15 will likely be quite different from those of someone who is 65. Therefore, when setting goals, you have to consider the changes that will tend to occur throughout your life cycle.

What is the life cycle? Although each of us will experience our own particular life cycle, there tend to be similarities in terms of what our primary concerns and preoccupations are at various stages in our life. Concerns will vary with respect to education, training, saving, investment, life insurance, retirement, travel, and so on.

Taking control and planning your financial affairs means that you have to consider the various stages of your own life cycle. You can't think only about what is important today. You also have to think about what will be important to you in the future — at another stage in your life cycle. Therefore, you need to set goals for various times in your life. You don't want to find yourself thinking about retirement only when you are about to retire. Then it's too late. You want to be prepared.

In addition, recognize that for many people, at some point in the life cycle, personal plans will have to merge with those of someone else — or at least incorporate the hopes, goals, assets, debts, and so forth of someone else. It is important to understand that trade-offs may lie down the road.



Goals and Your Life Cycle

The following is a list of possible goals (including some financial goals) that a person may have in life. Add others that are important to you.

Possible Goals/Concerns that Affect a Financial Plan

- ▶ Owning a home
- ▶ Obtaining a good education
- ▶ Obtaining specific training
- ▶ Writing
- ▶ Performing
- ▶ Playing a sport
- ▶ Saving/investing for an enjoyable retirement
- ▶ Travelling
- ▶ Obtaining a good job/career
- ▶ Owning a business
- ▶ Owning a cottage
- ▶ Owning a car
- ▶ Getting married
- ▶ Helping to educate grandchildren
- ▶ Caring for parents
- ▶ Health, fitness, and medical care
- ▶ Having children
- ▶ Having a hobby
- ▶ Donating to charity
- ▶ Having time to volunteer
- ▶ Working part-time rather than full-time
- ▶ Joining a club
- ▶ Building a collection
- ▶ Renovating/improving accommodation
- ▶ Developing a specific talent
- ▶ Others:

At different times in your life, you will probably assign your goals different priorities. Review the above list and identify those goals/concerns that you think will be most important to you at each of the following age ranges.

- ▶ Age 14–17
- ▶ Age 18–24
- ▶ Age 25–34
- ▶ Age 35–49
- ▶ Age 50–64
- ▶ Age 65+

TASTES, PREFERENCES, AND LIFESTYLE

Individual tastes and preferences will be factored into almost every decision made. For example, is it important to you to one day own your own home? If so, does it have to be a house? What about a condominium? An apartment? A townhouse? Maybe your economic circumstances limit your choice, but what would you want and how important is it to you? Is it more important that you live in an urban/downtown area than live in a house? Is it important to you to live in the country or live in a small town?

In terms of a career, what kind of work environment do you want? Do you want to work for yourself? Do you prefer work in a factory or on an assembly line? Do you want a career that will require many years of education, or do you want to start working as soon as possible?

On and on it goes. What are your tastes? What are your preferences? What are your expectations?



That's Entertainment

Suppose you have \$100 to spend on various types of entertainment. Indicate your preferences for each type of entertainment by allocating a portion of your \$100 to the ones you most prefer. The total should equal \$100 (for example, \$30 on concerts, \$30 on movies, \$20 on dancing, \$10 on sporting events, \$10 on books).

Type of Entertainment

- | | |
|---------------------------------|--------------------------------|
| ▶ Buying and listening to music | ▶ Sports events |
| ▶ Concerts | ▶ Playing sports |
| ▶ Books | ▶ Playing a musical instrument |
| ▶ Magazines | ▶ Dancing |
| ▶ Movies | ▶ Shopping |
| ▶ Parties | ▶ Eating out |
| ▶ Camping | ▶ Others: |

ECONOMIC CONDITIONS

Conditions in the economy can affect financial decisions and affairs. The following are just some of the economic factors that can have an important influence:

- prices and the rate of inflation
- the level of employment/unemployment and conditions in the labour market
- the activities and priorities of business
- the ability of companies to succeed and create jobs
- interest rates
- investment opportunities
- government programs and subsidies
- tax policies
- labour unions
- what goes on in other countries
- the exchange rate for the Canadian dollar
- the quality of goods and services that are produced and consumed

It is important for everyone to have a basic economic education. That doesn't mean training to be an economist. It simply means that it is highly beneficial for financial planning and decision making, as well as for other activities, to have a basic knowledge of the economic system and what can affect such things as employment, prices, interest rates, and so on.

Many of the decisions that you make will be influenced by these economic factors. You may hope for a particular career, but if circumstances change or jobs aren't available, then that career choice may not be open to you. You may want to own a house, but if the

housing market pushes prices way up, and/or interest rates on mortgages climb to high levels, then your hopes may be dashed or at least postponed.

Has the economy had an impact on your life lately?



Economics in Everyday Living

Think back over the last five years and identify any ways in which the economy has affected your financial circumstances or those of a family member. Has it affected jobs, incomes, housing, car purchase, vacation plans, and so on?

SOCIAL FACTORS

Changes in our society can affect our living conditions and our tastes, preferences, and goals. As cultural values change, we may find our own values changing.

For example, attitudes toward work may change. Attitudes toward leisure may change. Over recent decades, the number of women in the workforce has increased significantly. In the past, the man was often seen as the "breadwinner" and the "woman's place was in the home." Well, that certainly is not the common attitude these days, which is reflected in the increased number of women working and the greater social acceptance of women working.

Social changes that occur with respect to family size, the importance of education, housing, the desirability of certain careers, and so on can all have a bearing on us and on our financial decisions and plans.



Decisions and Actions

Think about the world as it is today and how it would have been when your grandparents were your age? Have things changed? What social factors have changed that might influence your actions, decisions, and goals?

How do you deal with change? Do you: Resist? Ignore? Lead? Adapt? Accept? React? Respond?

POLITICAL FACTORS

We live in a society in which governments play a prominent role. Governments are involved in areas such as the following:

- insurance and banking regulations
- unemployment insurance programs
- parkland and other recreational facilities
- legislation affecting wages and conditions in the workplace
- transportation and communication
- training programs
- taxation
- health care
- public education
- welfare programs
- interest rates



“Made by Government”

Identify the major government products and services that you have used in the past or that you use today (for example, parks, roads, sidewalks, schools).

Government decisions can affect the prices of goods and services we buy; the availability of certain jobs; the quality, cost, and availability of health care; the quality, cost, and availability of education and training programs; pension plans; housing costs; and much more.

Each of us has the right to vote, and we have a responsibility to cast our votes for those candidates representing the views and values each of us believes are best. The decisions of those people we elect will ultimately affect the communities and society within which we live. Their decisions



Public Options

Identify how the major political parties differ in terms of their views and proposed policies related to:

- ▶ Government spending
- ▶ Taxes
- ▶ The debt and deficit
- ▶ Health care
- ▶ Education
- ▶ Pensions
- ▶ Free trade
- ▶ Interest rates
- ▶ Role of business
- ▶ Role of organized labour
- ▶ Job creation
- ▶ Youth employment

will affect the conditions in which we live, work, play, spend, invest, raise a family, and retire. Along with our financial responsibilities, we have a responsibility to put in power the best government we think possible. The consequences of our collective decisions as citizens will be enormous as various actions, policies, and decisions are taken by the politicians and political parties we elect.

TECHNOLOGICAL CHANGE

No one needs to tell you that technological change is occurring at an extremely rapid pace. Such change has many influences on our lives. It can influence the kinds of jobs that are available and the types of skills that are required. Technological change can displace some workers from their jobs while it creates jobs for others. Technological change can lead to Canada, or areas within Canada, becoming more or less productive and more or less successful economically. That can affect jobs and incomes. Technological change can affect the way we live our daily lives. It can affect the way we do banking, keep our records, do our shopping.



Tech Check

How have changes in technology affected your life over the last few years in terms of decisions and activities related to school, housework, work in general, banking, health care, vacations, entertainments, and so on?

As one example, consider the computer. More and more people have computers in their homes today. This has dramatic implications for recordkeeping and planning. It can lead to “shop at home” services including

banking. Automated banking machines are now commonplace. Check-out lines at supermarkets are shorter due to computerized pricing; in some locations you can scan and bag your own items at the grocery store. Some cars have computers built in to tell you when they are sick or need servicing — or to tell you to fasten your seatbelt.

Technology is, however, much more than computers — and it is all around us and changing rapidly. All of us must do our best to keep abreast of technological change as it is affecting our lives and as it might affect our decisions.

LANGUAGE AND COMMUNICATION SKILLS

Handling money and financial matters requires a great deal of decision making. Decision making requires gathering information. It also involves communicating with others to obtain information and to implement decisions — and goals. Many Canadians have some language or communication challenges. For example, their first language may not be English or French, they may have a learning disability, or they may have a lack of education.

We are living, increasingly, in an information age — multimedia, Internet, World Wide Web, hyperlinks, and so on. New opportunities arise. New mistakes can be made. Old ways change. New ways arise. Those who get ahead and succeed are often those who have been able to effectively access new and relevant information and factor it into their decisions. If an individual has difficulty acquiring, interpreting, or using new information, he or she can be at a significant disadvantage. Therefore, do not treat the development of effective communication skills lightly, and hone these skills whenever the chance arises.

PREJUDICE

It is an unfortunate reality that prejudice tends to exist in every society to varying degrees, and it can have an influence on an individual's ability to get a job, on the opportunities that are presented or denied, on the quality of service that might be provided, on the level of confidence an individual may develop, and so on. Prejudice is something that no one should have to face, but, unfortunately, some experience it in their lives and in planning and implementing their financial affairs.

SUMMARY

These are some of the major factors, in addition to your values, that can have an influence on your decisions and goals. There are others that you can probably think of — media, geographic location, various environments (home, school, work). You will have little control over some of these. Some you have complete control over. Try to be aware of how these and other factors can have an impact on you and your financial affairs.

Throughout your life, you will face a continuous series of decisions. Making effective decisions is a skill — a skill that is very important to handling and planning your financial affairs. Let's turn our attention to this key skill.